

July 9, 2020 General Meeting

Treasurer's Report

Phoebe Vanselow

Happy new fiscal year!

Budget:

FY20 closed on June 30 with good news. While there are still a few outstanding bills to pay, it appears the fiscal year will end up finalizing with an approximately \$95,000 surplus to carryover to FY21. We should have the final number in the next month or two. A portion of this is due to CARES Act funds covering the payroll and benefits of the Fire Chief from March through June, plus some payroll costs for other employees working on CARES Act-eligible tasks during that time period as well.

The FY21 budget was created using a very conservative revenue scenario as the ever-involving impacts of the COVID-19 pandemic were being considered. Even with large cuts in expenses, the FY21 budget as it stands now still relies on \$217,000 of Prior-Year Cash Balance funds to balance the budget. The ~\$95,000 from FY20's surplus will cover part of this. Additionally, we will be able to introduce a non-code ordinance (NCO) to adjust the payroll in the FY21 budget to remove the Fire Chief's salary and benefits for the period of July through December, as it will be paid through the CARES Act funds the city is receiving, a reduction in approximately \$44,000. This will still leave \$78,000 to possibly be needed from prior years' surpluses that are in savings. Revenue from some summer businesses that are able to operate this summer may also cover some of this deficit, as we may be able to adjust the budget's revenue line-items slightly higher. We will take the wait-and-see approach as this fiscal year progresses and make NCO adjustments as needed. If funds are needed from savings, it wouldn't be until near the end of the fiscal year, when we will know so much more than we do now.

CARES Act Relief Funds:

The City of Gustavus is eligible for \$631,680.53 in CARES Act Relief funds. The first of three possible payments was deposited on 6/18/20 for \$381,144.53. The second and third payments of \$125,268 each will be released as 80% of the prior issued payment is spent. The City Council has had multiple work sessions to discuss the ways to spend these funds, and the discussions will be continuing. These funds are given to the city, and then the city spends them on eligible expenses which are recorded and submitted to the state monthly for approval.

On 6/23, I submitted reports for March, April, and May CARES Act eligible expenses that had been made for a total of \$33,964. These were mostly payroll expenses, including the payroll and benefits of the Fire Chief from March through May, plus payroll costs for other employees working on CARES Act-eligible tasks during that time period. It also included purchases for cleaning supplies and traffic control at the Disposal & Recycling Center.

Additional CARES Act Relief funds expenditures that have been earmarked include:

- \$9910 to Gustavus Visitors Association for FY20 payroll that was CARES Act eligible
- \$28,000 to Gustavus Visitors Association for FY21 economic development

- Approximately \$35,000 to city departments for facility improvements and cleaning supplies to cover the highest priority needs before public buildings can open, other safety improvements for the firehall and ambulance, and additional materials to support library patrons
- Approximately \$44,000 for the Fire Chief's salary and benefits for the period of July through December
- Additional payroll costs for other staff working on CARES Act eligible tasks
- \$16,500 to the Gustavus School for cleaning supplies and equipment and PPE (personal protective equipment)

Other items under consideration include:

- \$150,000 for a local CARES Act Small Business/Non-Profit Relief Grant Program (on the 7/13/20 General Meeting agenda for action)
- Funding for a part-time temporary employee of Incident Command Public Information Officer (PIO) working through the Emergency Operations Center (on the 7/13/20 General Meeting agenda for action)

Pending an NCO up for public hearing 7/13, the \$381,144.53 received will be transferred to a new Alaska Municipal League Investment Pool (AMLIP) account, with transfers back to the city's checking account as the state approves expenditure reports. All funds must be spent by December 31, 2020. Any unspent funds will be returned to the state.

Gustavus Airport COVID-19 Greeting/Screening Services:

On June 3, the State of Alaska updated Health Mandate 010 regarding interstate travel (travel to Alaska from outside of the state). This mandate required screening of travelers arriving from out-of-state at their point of entry. With vigorous effort, the City of Gustavus signed a contract with the State of Alaska on June 5 to provide greeters and screeners to meet the Alaska Airlines jet starting June 6. The flight that arrives in Gustavus begins its route in Seattle, with a stop-off in Juneau where passengers are not required to disembark. As a result, some passengers arrive in Gustavus as their first port of entry for the state. Five part-time temporary employees have been hired to meet every Alaska Air jet, along with other private jet passengers where Gustavus serves as their port of entry. The state is billed monthly for this contract, which ends August 31, 2020, unless extended by the state.

Endowment Fund Grants and Endowment Fund:

Two Endowment Fund Grants were issued last December. The Gustavus Community Center has completed their grant, and the Gustavus PFAS Action Coalition's grant is still underway. The next grant cycle's distribution amount will be announced at the August 10 General Meeting. Each year, the endowment fund's asset allocation is reviewed by our investment advisors, Alaska Permanent Capital Management (APCM). For FY21, APCM has indicated the city's prior asset allocation will not meet the requested 3% distribution rate (for use in the endowment fund grant program). The FY21 asset allocation is on the 7/13/20 General Meeting agenda for action, with the council to decide to either maintain the current risk level with our present asset allocation, which will result in a reduction in the distribution rate from 3% to 2% or to maintain the current distribution rate of 3% and increase the current risk level. Either way, this asset allocation is reviewed annually, so it will be re-evaluated next spring.

Capital Projects:

Per the council's decision this spring, new capital projects remain on hold until the financial picture is clearer. Previously funded or underway projects are still continuing.

Road Maintenance funds, or lack thereof:

Lastly, there is an NCO that will be introduced at the 7/13/20 General Meeting to withdrawal the last of the encumbered Road Maintenance funds from savings for use in FY21. These funds were deposited from National Forest Receipts (NFR) received in prior years. NFR funds can only be used by the city on roads. In years gone by, the distributed NFR funds were larger and exceeded the road maintenance budget. The excess funds were encumbered in a saving account to be used on roads at a later date. In recent years, these funds have become unpredictable (as low as \$5,537 in FY17; \$44,228 in FY20) and no longer cover our annual road maintenance costs. The city has been drawing on the saved encumbered funds to supplement. The city council set aside up to 3 years' worth of road maintenance funds in a separate unencumbered road maintenance account in June 2018 to tide us over until a new plan for funding roads could be put into effect. We will start drawing on these unencumbered savings this year, unless NFR funds come in at a higher level than expected (announced spring 2021). As I've been saying for a couple years, Gustavus needs to determine the way forward to at least partially fund road maintenance costs now that NFR funds from savings and the current year's NFR distributions are no longer enough. We are currently on an unsustainable path. After discussion and development over the winter, a seasonal fuel excise tax was brought forward at the March 9, 2020 General Meeting as a possible means to boost revenue, but it was quickly extinguished due to the timing with the COVID-19 pandemic and associated economic implications. It may be something to reconsider once the dust settles (whenever that is!), along with any other ideas for addressing this change in our road maintenance financial picture.

As always, I'm happy to go over any of the financial reports distributed each month in the packet and posted at our usual locations, if anyone in the public has questions or wants me to interpret them!

Please keep your distance, wash your hands, and wear your mask!